


A GUIDE TO PROGRAMS AIMED AT HELPING COMMUNITIES  
CREATE HIGHER SKILLED, BETTER PAYING JOBS.

# TENNESSEE TOOL KIT



SEE HOW TENNESSEE MEASURES UP




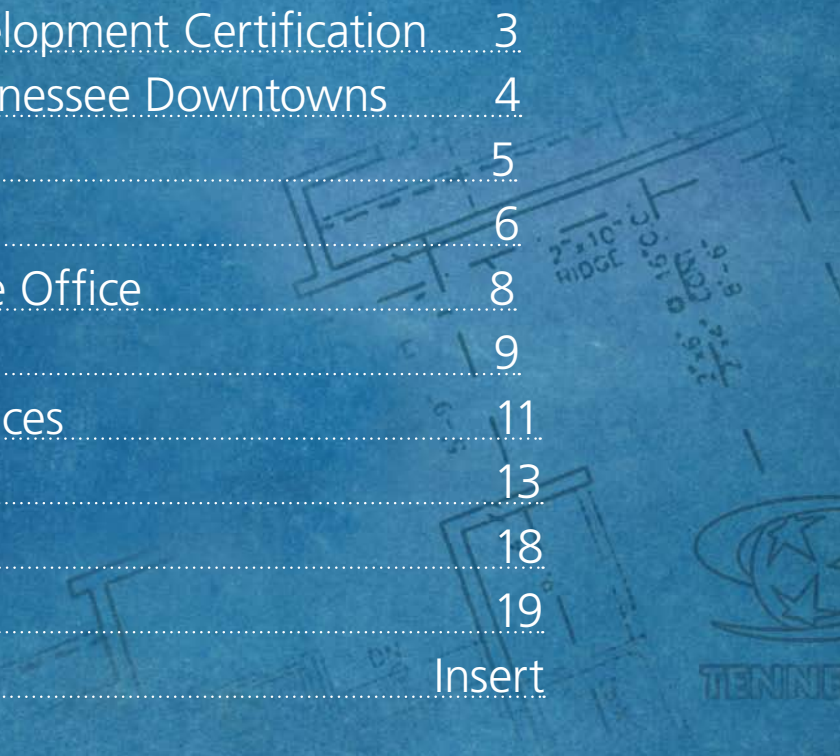


A GUIDE TO PROGRAMS AIMED AT HELPING COMMUNITIES  
CREATE HIGHER SKILLED, BETTER PAYING JOBS.

# TENNESSEE TOOL KIT

## Table of Contents

ROI Tax Credit Enhancement	2
Three-Star Community Development Certification	3
Tennessee Main Street / Tennessee Downtowns	4
Retire Tennessee	5
FastTrack Program	6
Business Enterprise Resource Office	8
Grant and Loan Programs	9
Technical and Planning Services	11
Tax Based Incentives	13
Tennessee Exports	18
Foreign Direct Investment	19
Green Tool Kit	Insert





# ROI Enhanced Job Tax Credit

Tennessee's focus on creating job opportunities in rural areas of the state presents unique hurdles, and yet tremendous opportunity. Whether because of limited road access, lack of public infrastructure or difficulty in matching labor skills to job requirements, a different approach is needed. That's why Tennessee offers a program aimed at addressing this challenge called the Rural Opportunity Initiative, or ROI. The ROI provides Enhanced Job Tax Credits to businesses locating or expanding

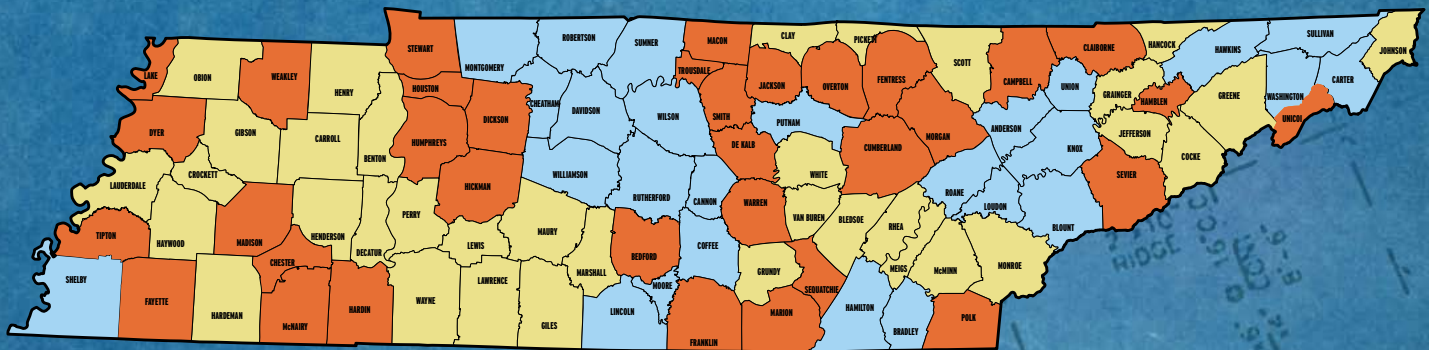
in certain Tennessee counties considered Tier 2 or Tier 3 Enhancement Counties.

The Commissioner of Economic and Community Development may determine that a county qualifies as an Enhancement County if it experiences substantial characteristics of economic distress.

Upon determining that a county qualifies as an Enhancement County, ECD shall designate the county as a Tier 1, Tier 2 or Tier 3 Enhancement County based on

unemployment, per capita income and poverty levels of all Tennessee counties using statistical data prepared by an agency of state or federal government.

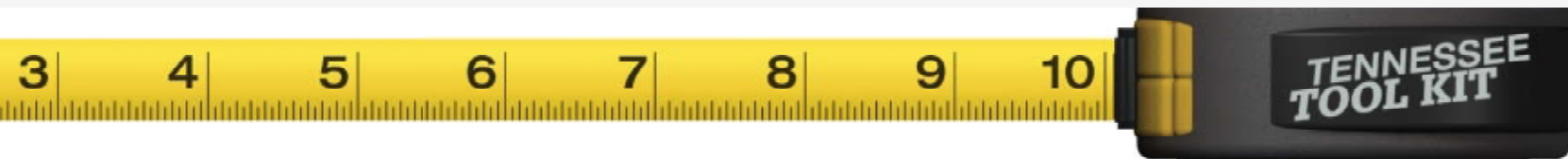
By building strong partnerships around ROI, the return on Tennessee's investment will be stronger communities, more vibrant local economies and better lives for our citizens.



**Tier 1 Enhancement Counties:** \$4,500 per job tax credit to qualified businesses making a \$500,000 capital investment and creating a minimum of 25 net new full-time jobs in a 12 month period. Job Tax Credit may offset up to 50% F&E liability with 15 year carry-forward.

**Tier 2 Enhancement Counties:** \$4,500 per job tax credit to qualified businesses making a \$500,000 capital investment in a 12 month period and creating a minimum of 25 net new full-time jobs in a period not to exceed 3 years. Job Tax Credit may offset up to 50% F&E liability with 15 year carry-forward. Additional Enhanced Job Tax Credit of \$4,500 per job each year for 3 years to offset up to 100% of F&E liability with no carry-forward.

**Tier 3 Enhancement Counties:** \$4,500 per job tax credit to qualified businesses making a \$500,000 capital investment in a 12 month period and creating a minimum of 25 net new full-time jobs in a period not to exceed 5 years. Job Tax Credit may offset up to 50% F&E liability with 15 year carry-forward. Additional Enhanced Job Tax Credit of \$4,500 per job each year for 5 years to offset up to 100% of F&E liability with no carry-forward.



# Three-Star Community Development Certification

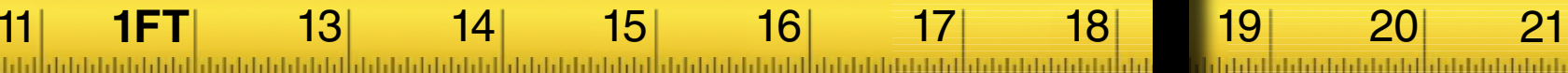
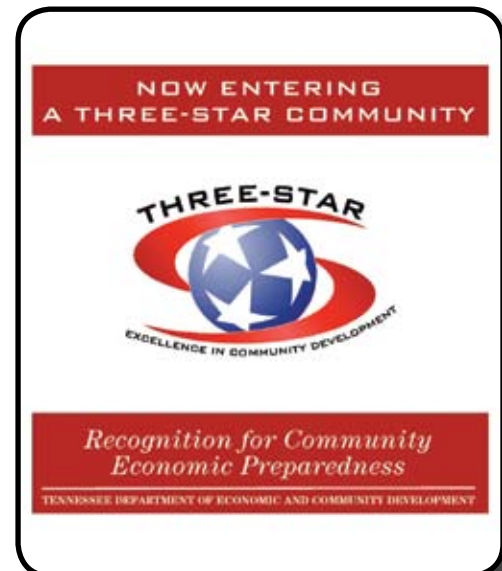
One of the best known programs for Tennessee communities is the Three-Star Community Development Certification program. More than 90% of Tennessee's counties either take part in or have communities who take part in the Three-Star process. Three-Star Certification means a community has done the basic planning necessary to prepare for economic development and has taken steps to attract new jobs and investment.

By participating in the Three-Star program, communities can receive discounts to the matching funds required in order to apply for many ECD grant programs. Since January 2003, Three-Star communities have saved more than \$2 million in matching funds requirements.

## To participate in Three-Star, communities should take the following steps:

1. Review the Three-Star application criteria with an ECD specialist.
2. Develop and submit to ECD a five-year strategic plan outlining steps to meet the program requirements.
3. Local elected body reviews and approves the strategic plan and it is submitted to ECD for evaluation. At this stage, communities begin to work through a comprehensive benchmarking program for sustainable economic and community development.
4. ECD evaluation team makes an approval recommendation to the Governor.
5. The Governor approves and formally presents Three-Star Certification to community.

To learn more about the Three-Star program, visit [www.tn.gov/e.cd/threestar](http://www.tn.gov/e.cd/threestar) or contact ECD's Community Development team at (615) 741-2373.





# Tennessee Main Street / Tennessee Downtowns

The Tennessee Main Street Program is a comprehensive revitalization program designed to promote the historic and economic redevelopment of traditional business districts in Tennessee. The Tennessee Main Street Program serves as a coordinating partner with the National Main Street Center, a program of the National Trust for Historic Preservation.

While the Tennessee Main Street Program has seen great success across the state of Tennessee, many communities want to learn more about downtown revitalization before becoming certified through the Main Street Program. The Tennessee Downtowns program offers an alternative for communities with traditional downtown districts established at least 50 years ago through a comprehensive introduction to the organization process of downtown revitalization.

## **The Tennessee Main Street Program and Tennessee Downtowns can help your community:**

- Develop strategies for long-term revitalization of your community's traditional business district, focusing on community revitalization through the context of historic preservation to promote economic growth and development within the historic core of Tennessee communities.
- Provide limited technical assistance to non-certified Main Street communities pursuing the development of a downtown revitalization program or information about the National Main Street Program.
- Identify and communicate to community leaders about state, local and federal agencies with resources to assist in downtown revitalization and community development.
- Understand the comprehensive "step-by-step" process in which communities are selected to become certified Tennessee Main Street Programs in Tennessee or how to apply for participation in the Tennessee Downtowns Program.



To learn more, go to [www.tn.gov/e cd/mainstreet](http://www.tn.gov/e cd/mainstreet) [www.tennesseeemainstreet.org](http://www.tennesseeemainstreet.org) or contact ECD's Community Development team at (615) 741-2373.

22

23

2FT

25

26

27

28

TENNESSEE  
TOOL KIT



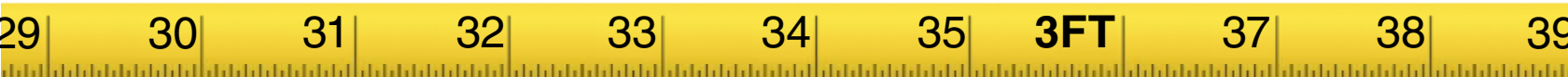
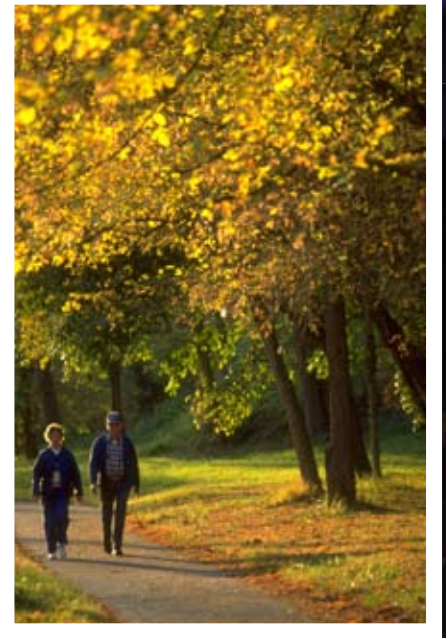
# Retire Tennessee

For some Tennessee communities, the best way to promote growth while still retaining a quiet, slow-paced quality of life is through attracting newly retired residents. The state of Tennessee has 11 communities participating in Retire Tennessee, a community marketing program aimed at branding Tennessee as a retirement destination.

The programs are underway in Cumberland, Greene, Hamilton, Hardin, Henry, Jefferson, Lincoln, Loudon, Putnam, Robertson and Sullivan Counties.

Communities participating in the Retire Tennessee Program must also be certified Three-Star Communities. These communities have established a Retiree Relocation Committee, conducted a community assessment, started marketing efforts to attract and relocate the retiree market, and participated in trade shows geared toward attracting retirees.

For more information, go to [www.retiretennessee.org](http://www.retiretennessee.org) or call (731) 423-5771.





# FastTrack Program

Arguably, FastTrack is Tennessee's most utilized tool to assist communities in attracting new jobs. FastTrack focuses on assisting companies in the training of new employees and helping communities in the development of public infrastructure to assist companies in their expansion or relocation. Taken together, these programs are known as FastTrack. Along with the Tennessee Job Skills program, FastTrack streamlines and speeds the process and reduces the cost for companies seeking to create jobs.

## FastTrack Job Training Assistance (FJTAP)

This grant program is available to both new and expanding industry and begins with a company developing a training plan that includes the number of people to be hired, types of skills required and types of training needed. The plan is developed in conjunction with FastTrack staff and is designed to be customizable and flexible. Companies will track costs associated with implementation of the training program, then submit to the state for reimbursement.

Job training assistance can include either traditional or job based training reimbursement.

### Traditional training reimbursement may include:

- Classroom instruction.
- On-the-job training.
- Vendor training from the actual manufacturer of a piece of industrial equipment.
- System support for certain types of plant-wide or company-wide applications.
- Development and coordination of instructional materials and training programs.
- Travel related to training.

### Job Based Training Reimbursement (JBT)

A potentially faster method for reimbursement of training costs, companies may seek reimbursement from the state of Tennessee once a job creation commitment and cost-per-job is established. JBT is available in FJTAP as well as Tennessee Job Skills (TJS) as a possible reimbursement method.

In order to qualify, companies must work with ECD to reach a contractual agreement that determines:

- The cost-per-job and the total commitment of jobs.
- Once agreed upon with ECD, companies can seek reimbursement of 50% of the cost-per-job within the first 90 days after the job is created and maintained. The remaining 50% can be claimed 180 days after the job is created and maintained.
- The company must agree to provide documentation, including the number of jobs created.
- Multi-year contracts between a company and ECD can be reached to accommodate multi-year job creation projects.
- If the total commitment of jobs is reached, companies may seek the entire training reimbursement allocation through JBT.

More information about FJTAP can be found at [www.tn.gov/ecd/fasttrack](http://www.tn.gov/ecd/fasttrack) or by calling (615) 741-6201.



TENNESSEE  
TOOL KIT

## FastTrack Program, Cont.

### Tennessee Job Skills (TJS)

Similar to FJTAP, but with a focus on employers and industries that create high-skill, high-wage jobs in emerging, high-demand and technology-focused sectors of the economy. Training staff will work with companies to develop a unique, flexible, comprehensive training plan that meets the company's initial training needs and will then follow up to insure each phase of the program meets the company's needs. Companies track costs and apply to the State for reimbursement. Reimbursement rates depend on the level of training and the types of instructors utilized.

More information about TJS can be obtained by calling (615) 741-6201.

### Applicant Recruitment & Screening

Utilizing the company's job specifications, the Tennessee Department of Labor and Workforce Development will recruit and screen job applicants through the department's Job Service Division. Those applicants meeting the company's criteria will be forwarded to the company for hiring consideration. The Tennessee Department of Labor and Workforce Development also provides:

- Leadership training for supervisors, team leaders and managers on interpersonal skills required to motivate employees.
- Team training in which interpersonal communication is essential between supervisors and team members.
- Instructor certification based on a company's specific requirements.

For more information on the Tennessee Department of Labor and Workforce Development, please visit <http://www.tn.gov/labor-wfd/>.

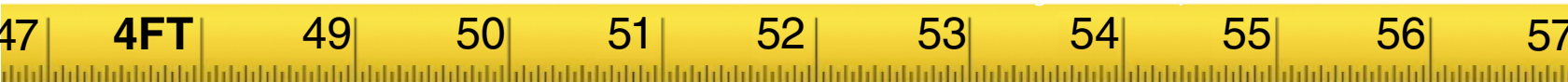
### FastTrack Infrastructure Development Program (FIDP)

In order to qualify for this program, local

communities must apply to ECD with a goal of improving public infrastructure in order to create new jobs and business investment. Applications must be for specific projects and must be tied to a company commitment to create or retain a defined number of jobs. Qualifying projects must involve companies engaging in manufacturing or other economic activities beneficial to the state of Tennessee. Companies for whom more than 50% of the product or service is involved in the manufacture of products for export are also eligible. FIDP grants require local community matching funds calculated along a varying scale based on a community's ability to pay.

FastTrack Infrastructure Development funds can be utilized to build:

- Water systems, including intake structures, treatment plants, storage tanks, transmission lines or other structures associated with public water service.
- Wastewater systems, including collector lines, treatment plants and other structures associated with public wastewater treatment services.
- Transportation systems, rail sidings, roadway improvements, port facilities, airport improvements and other public transportation infrastructure.
- Site improvements relating to drainage needs or other extraordinary situations in which the physical conditions of a site must be altered in order to allow capital investment for job creation.
- Technology systems, including the extension of broadband or high speed data transmission lines necessary for companies to conduct business.
- Other improvements to the physical infrastructure of a site may be considered if communities can demonstrate such improvements are required for the location or expansion of a business that creates jobs.





## FastTrack Program, Cont.

Communities seeking technical expertise on transportation improvements designed to facilitate business investment and job recruitment may also qualify for the State Industrial Access Program (SIAP). Communities may submit multiple designs for an industrial project to engineers with the Tennessee Department of Transportation for comment on feasibility.

## Business Enterprise Resource Office (BERO)

Since two-thirds of businesses in Tennessee are small businesses with 20 or fewer employees, the Business Enterprise Resource Office (or BERO) provides technical, financial and business plan development advice for small, minority-owned and woman-owned businesses across the state.

BERO's goal is for constituent companies to become financially stable and make the transition from single-entrepreneur operations to growing businesses. BERO works closely with the Governor's Office of Diversity Business Enterprise (GO-DBE) in their efforts.

BERO assists companies with the following:

- Technical assistance, such as obtaining a business license, developing a business plan, exploring financial assistance or expansion assistance, as well as other special needs and one-on-one business counseling.
- Assisting with procurement opportunities, engaging in business matchmaking fairs and assistance on making contacts with federal, state, local and corporate buyers.
- Hosting and presenting small business and entrepreneurship workshops and conferences.

ECD will also provide counseling to communities seeking to obtain Industrial Revenue Bond financing in either a taxable or tax-free scenario.

More information about FIDP can be found at [www.tn.gov/ecd/fidp](http://www.tn.gov/ecd/fidp) or by calling (615) 741-6201.



- Small business expansion, relocation and turnaround situations.

Creating export opportunities and connecting companies to international market data, as well as export resources at the local and federal levels.

To contact BERO, go to [www.tn.gov/ecd/bero](http://www.tn.gov/ecd/bero) or call (615) 741-2626 or (800) 872-7201.

58

59

5FT

61

62

63

64

TENNESSEE  
TOOL KIT

# Grant and Loan Programs

ECD is the administrator of a number of federal and regional grant and loan programs designed to benefit communities and enhance economic prosperity. These programs include:

## Community Development Block Grant Program (CDBG)

– Grant dollars are available to communities with a population of fewer than 50,000 residents for the purpose of providing community development projects and attracting new or expanding companies, as long as the projects align with one of three national objectives:

1. Principally benefit low and/or moderate income people.
2. Eliminate or prevent slums and/or blight.
3. Address imminent health and/or safety problems.

### CDBG grants are administered as part of two primary programs:

- **Economic Development**, which includes grants for industrial infrastructure, as well as loans for industrial buildings and equipment.
- **Community Development**, which includes grants for water and wastewater treatment facilities, housing rehabilitation and projects aimed at improving community livability.

**Private Activity Bonds** – ECD manages the federally mandated limit on the amount of bonds that can be issued through local industrial development boards, the Tennessee Housing Development Agency and for student loans. The limit is set each year by the Internal Revenue Service.

## Appalachian Regional Commission (ARC)

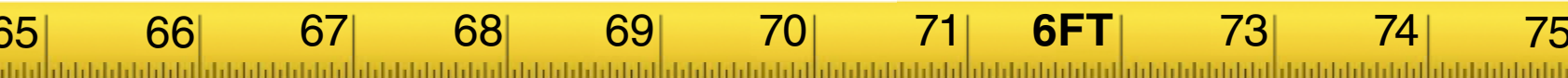
– ECD allocates each year a series of grants aligning with the objectives of the ARC, a federal-state partnership aimed at creating self-sustaining economic development and improved quality of life for the people of the Appalachian Mountain region. The ARC was designed primarily to benefit a region in the states of Alabama, Georgia, Kentucky,

Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia. The grants fall into four categories: highway, non-highway, development district and regional initiative.

In Tennessee, 52 counties are eligible to qualify for ARC grants: Anderson, Bledsoe, Blount, Bradley, Campbell, Cannon, Carter, Claiborne, Clay, Cocke, Coffee, Cumberland, DeKalb, Fentress, Franklin, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hawkins, Jackson, Jefferson, Johnson, Knox, Lawrence, Lewis, Loudon, McMinn, Macon, Marion, Meigs, Monroe, Morgan, Overton, Pickett, Polk, Putnam, Rhea, Roane, Scott, Sequatchie, Sevier, Smith, Sullivan, Unicoi, Union, Van Buren, Warren, Washington and White.

### Grants funds may be used to construct or improve:

- **Infrastructure projects**, like water, wastewater, roads and rail projects aimed at securing new jobs or retaining existing jobs.
- **Job training programs.**
- **Development of basic skills** in the areas of reading, writing, computation and computer literacy.
- **Housing.**
- **Multi-jurisdictional programs** creating demonstration projects aimed at enterprise development.





## Grant and Loan Programs, Cont.

**Delta Regional Authority (DRA)** - ECD allocates each year a number of grants aligning with the objectives of the DRA, a federal-state partnership aimed at improving the lives of people living in the delta region of the Mississippi River Valley. The DRA is focused primarily on the states of Missouri, Illinois, Kentucky, Tennessee, Mississippi, Alabama, Louisiana and Arkansas.

### Tennessee counties eligible for DRA grants include:

- |            |              |           |
|------------|--------------|-----------|
| • Benton   | • Hardeman   | • McNairy |
| • Carroll  | • Hardin     | • Obion   |
| • Chester  | • Haywood    | • Shelby  |
| • Crockett | • Henderson  | • Tipton  |
| • Decatur  | • Henry      | • Weakley |
| • Dyer     | • Lake       | • Madison |
| • Fayette  | • Lauderdale |           |
| • Gibson   |              |           |

Funds may be used for infrastructure improvement projects that aid job creation. For more information about available grants and loans, visit [www.tn.gov/ecd/grantsandloans](http://www.tn.gov/ecd/grantsandloans) or contact ECD at (615) 741-6201.

**Rural Small Business and Entrepreneurship Loan Fund** - The ECD-BERO Rural Enterprise Loan Fund encourages existing and potential rural, small businesses and entrepreneurs to grow and maintain their business and create jobs by providing access to capital. The fund makes loans of \$500-\$10,000 to qualifying rural micro-enterprises. A micro-enterprise is defined as a

for-profit entity with five or fewer employees, one of whom owns the business. The business can use loans proceeds for fixed assets (i.e. equipment) and working capital (i.e. advertising and business fees). Technical assistance and training are available for the duration of the loan. The ECD-BERO Micro Loan Fund received funding from the USDA Rural Development Rural Business Enterprise Grant (RBEG) program and the American Recovery and Reinvestment Act.

For more information about this program, contact BERO at 1-800-872-7201 or visit [www.tn.gov/ecd/bero](http://www.tn.gov/ecd/bero).



# Technical and Planning Services

ECD provides planning services and technical assistance to communities on a contract basis. From regional offices in Chattanooga, Cookeville, Jackson, Johnson City, Knoxville and Nashville, professional land use planners can help communities with planning, zoning and other advisory services.

To learn more, contact ECD’s Local Planning Assistance Office at (615) 741-2211 or visit our website at [www.tn.gov/e cd /localplanning](http://www.tn.gov/e cd /localplanning).

ECD can also provide communities with assistance in seeking to qualify for the National Flood Insurance Program (NFIP), which allows homeowners to qualify for flood insurance if their community adopts flood plain management regulations.

ECD’s Local Planning Assistance Office can:

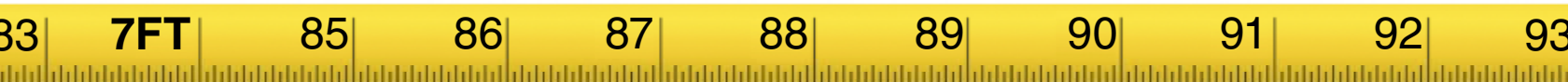
- **Provide help drafting ordinances.**
- **Train community officials on flood plain management.**
- **Provide site reviews to communities.**
- **Provide resources to codes administrators, surveyors, engineers, lenders, insurance agents, realtors, developers and property owners.**
- **Provide mapping services.**

To learn more about the NFIP or to find help, call (423) 434-6476 or visit our Web site at [www.tn.gov/e cd /nfip](http://www.tn.gov/e cd /nfip).

# Taxes and Incentives for New and Expanding Business

Tennessee has long been considered a state with one of the most business-friendly economic climates in the nation. With one of the nation’s lowest per capita tax burdens, no tax on personal income and no state property tax, Tennessee has attracted more than 190,000 new jobs and \$33 billion in new capital investment since 2003.

The primary business taxes in Tennessee are the franchise tax and the excise tax (F&E). Tennessee’s largest single source of revenue is the sales and use tax.





## Franchise Tax

- Tax on the greater of net worth or book value of property owned or used in Tennessee.
- Tax rate is 25¢ per \$100.
- Finished goods inventory in excess of \$30 million may be excluded.
- Pollution control equipment is exempt from franchise tax base.
- Property under construction and not being utilized is not included.
- Property rented from the industrial development corporation may be valued by capitalizing it on the books.
- Tennessee exempts two-thirds (2/3) of the capital investment of companies qualifying for the Job Tax Super Credit from the property measure of the franchise tax base during those tax years in which the annual Super Credit is allowed.

## Excise Tax

- Tax is based on the net earnings of the company derived from doing business in Tennessee. Companies doing business in Tennessee and other states use a 3-factor apportionment formula of property, payroll and sales, with sales double-weighted.
- Tax rate is 6.5%.
- No throwback provision – sales outside of Tennessee are not taxed.
- All capital losses are claimed in the year incurred.
- Net operating losses can be carried forward for 15 years.
- Net operating losses for projects of more than \$100 million may be extended beyond 15 years.

## Sales and Use Tax

- 7% state sales tax plus the applicable local rate (1.5%-2.75%) on any person or company who manufactures, distributes or sells tangible personal property within the state.

### No sales tax is levied on:

- Purchases, installation and repairs of qualified industrial machinery.
- Raw materials for processing.
- Certified pollution control equipment for manufacturers.
- Machinery and equipment used for the production of electricity using clean energy technology including geothermal, hydrogen, solar and wind sources.
- Material handling and racking systems for qualified warehouse and distribution facilities purchased during the 3 year investment period.
- Computer equipment, peripheral devices and software purchased for a qualified data center with an investment of \$250 million during the investment period.
- Reduced sales tax rates for manufacturers' use of energy fuel and water (1.5% vs. 7%).
- Qualified industrial supplies.
- Items purchased for resale.
- Containers, packaging and wrapping materials.
- Additional exemptions or credits may be available.

94

95

8FT

97

98

99

100

TENNESSEE  
TOOL KIT

# Tax Based Incentives

## Job Tax Credit

Tennessee allows “qualified business enterprises” a credit against their franchise and excise taxes based on their capital investment and the number of jobs created. The amount of the credit and the period of time during which it can be used varies according to the size of the investment.

- **A company investing \$500,000 and creating 25 net new jobs in a 12 month period can claim a Job Tax Credit of \$4,500 per job to offset up to 50% of the combined F&E tax. Any unused Job Tax Credit may be carried forward for up to 15 years. The approval process for the Job Tax Credit requires a Job Tax Credit Business Plan be filed with the Department of Revenue prior to taking the credit.**
- **A qualified business locating or expanding in a Tier 2 county may take 3 years to create 25 jobs, and a business locating or expanding in a Tier 3 county may take 5 years to create 25 jobs. The credit may not be taken until the year the 25 job threshold is met unless the business has requested and received a waiver from the Commissioner of Economic and Community Development and Commissioner of Revenue.**
- **In 2010, Tennessee amended the statutory requirements to allow the Commissioner of Economic and Community Development and Commissioner of Revenue to waive the minimum job requirement of 25 net new jobs if the company has made the necessary \$500,000 investment in a 12 month period and the jobs are high-skill, high-wage jobs in high technology areas, emerging occupations or skilled manufacturing. A company must request and receive a waiver before claiming the Job Tax Credit.**

For example, if a qualified business enterprise meets the capital investment and job creation requirements in any Tennessee county, at \$4,500 per job:

Jobs Created	Amount of Credit
25	\$112,500
100	\$450,000
500	\$2,250,000
999	\$4,495,500
1000	\$4,500,000

State law gives the Commissioner of Revenue and the Commissioner of Economic and Community Development broad latitude to extend the offset percentage to 100% for qualified headquarters and/or qualified warehouse and distribution facilities that meet certain capital investment requirements.

### Qualified business enterprises can include:

- Manufacturing
- Warehousing and distribution
- Processing tangible personal property
- Research and development
- Computer services
- Call centers
- Qualified data centers
- Headquarters facilities
- Convention or trade show facilities
- Repair service facilities for aircraft owned by unrelated commercial, foreign or government persons





## ROI Enhanced Job Tax Credit

(See page 2 for more information)

### Job Tax Super Credit

For larger, more capital-intensive investments, Tennessee has created a Super Credit that applies to those qualified businesses investing capital of \$100 million or more and creating a minimum of 100 jobs paying at least 100% of Tennessee's average occupational wage or investing \$10 million in a qualified headquarters facility with the creation of at least 100 new headquarters jobs paying 150% of the average occupational wage. The average occupational wage for 2010 is \$36,542, and the average occupational wage for 2011 is \$37,360.

These credits can be used to offset up to 100% of the company's F&E tax liability each year for 3 to 20 years starting the first tax year after the job creation and capital investment thresholds have been met. The Super Credit does not include carry-forward provisions. The Super Credit is in addition to the regular Job Tax Credit, which will still have the 15 year carry-forward and 50% of offset. The only difference is by qualifying for the Super Credit, the amount of the regular Job Tax Credit increases to \$5,000 per new occupational wage job instead of the regular \$4,500.

In addition to the jobs portion of the Super Credit, a company that qualifies for the Super Credit may exempt two-thirds (2/3) of the required capital investment made during the investment period from the property measure of its franchise tax base on Schedule G of the company's F&E tax return during the tax years in which the annual credit is actually taken. The investment period for the Super Credit is 3 years, but can be expanded to 5 years for investments of \$100 million or more and to 7 years for investments of \$1 billion or more with the approval of the Commissioner of Economic and

Community Development.

**Super Credits are available at the following levels:**

Capital Investment	Jobs Created	Per Job Credit	Years Available
\$10 million in headquarters	100 qualified HQ positions	\$5,000	3
\$100 million	100	\$5,000	3
\$250 million	250	\$5,000	6
\$500 million	500	\$5,000	12
\$1 billion	500	\$5,000	20

### Integrated Supplier and Integrated Customer Tax Credit

Tennessee extends certain tax credits to businesses qualified as an "integrated supplier" or "integrated customer" located within the footprint of a project meeting the \$1 billion investment threshold and creating 500 or more occupational wage jobs. The purpose of the Integrated Supplier and Integrated Customer Tax Credit is to expand the impact of large "anchor" projects by encouraging co-location of suppliers and customers. An integrated supplier or integrated customer locating within the footprint of such a project will qualify for a Job Tax Super Credit equal to \$5,000 per qualified job with a 15 year carry-forward, plus an additional \$5,000 per job each year for 6 years.

The Integrated Supplier Tax Credit applies regardless of capital investment or number of jobs created. To qualify for this credit, a supplier or customer must first be certified as "integrated" by the Commissioner of Revenue and the Commissioner of Economic and Community Development.



112

113

114

115

116

117

118

TENNESSEE  
TOOL KIT

# Industrial Machinery Tax Credit

For capital investments in industrial machinery, Tennessee offers businesses an Industrial Machinery Tax Credit that may be used to offset up to 50% of the company's F&E tax liability. To qualify for this credit, companies are not required to create new jobs. The credit applies to the purchase, installation and repair of industrial machinery as defined in T.C.A. 67-6-102. The credit also applies to the purchase and installation of computers, computer software and certain peripheral devices purchased in order to meet the capital investment thresholds of the Job Tax Credit.

Any unused Industrial Machinery Tax Credit may be carried forward for up to 15 years. The percentage of Industrial Machinery Credit allowed is dependent upon the investment made during the investment period as follows:

Capital Investment	Percentage of Credit
Less than \$100,000,000	1%
\$100,000,000	3%
\$250,000,000	5%
\$500,000,000	7%
\$1,000,000,000	10%

The investment period for the Industrial Machinery Credit is 3 years, but may be expanded to 5 years for businesses investing less than \$1 billion and to 7 years for businesses investing \$1 billion or more.





## Headquarters Tax Incentives

In order to encourage companies to locate and expand their regional, national or international corporate headquarters in Tennessee, the State offers a suite of enhanced tax credits to companies that establish or expand a qualified headquarters facility. A "qualified headquarters facility" means a regional, national or international headquarters facility where the taxpayer has:

- **Made a minimum investment of \$50 million in a headquarters building or buildings, newly constructed, expanded or remodeled during the investment period,**
- **Made a minimum investment of \$10 million in a headquarters facility and created 100 new full-time jobs paying at least 150% of Tennessee's average occupational wage during the investment period, or**
- **Located its headquarters facility in a Central Business District or Economic Recovery Zone and received approval from the Commissioner of Revenue as a "qualified headquarters facility."**

### Headquarters Tax Credits include:

#### Super Job Tax Credit for Qualified Headquarters

- If a taxpayer meets the \$10 million capital investment and creates the minimum 100 headquarters jobs paying 150% of the average occupational wage in establishing or expanding a qualified headquarters facility, the taxpayer will also qualify for a Super Credit of \$5,000 per job that can be used to offset up to 100% of the taxpayer's F&E liability each year for 3 years with no carry-forward.
- The Commissioner of Revenue may lower the wage requirement and investment criteria for a qualified headquarters facility if the headquarters locates in a Central Business District or Economic Recovery Zone.
- The investment period for the Super Job Tax Credit is 3 years, but may be expanded to 5 years with approval from the Commissioner of Economic and Community Development.
- The taxpayer must file and receive approval of the Qualified Headquarters Business Plan and the Job Tax Credit Business Plan before taking the Super Job Tax Credit.

#### Sales and Use Tax Credit for Qualified Headquarters

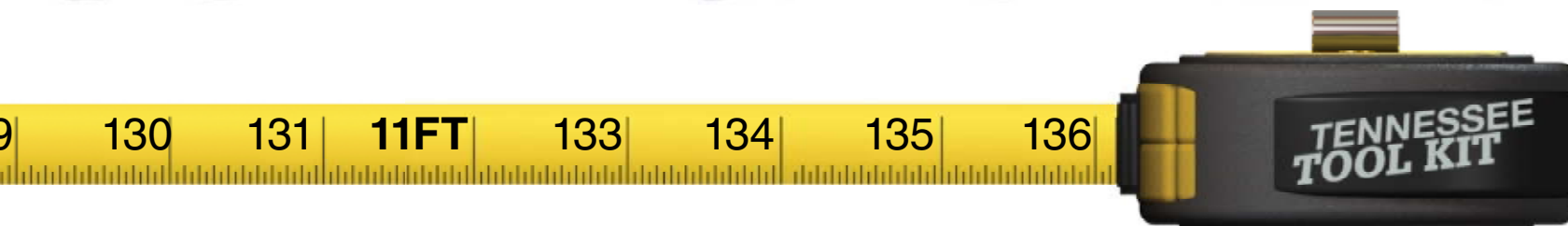
- For taxpayers meeting the minimum investments

for a qualified headquarters facility in Tennessee, the State provides for a credit of 6.5% of the 7% state sales and use tax paid on qualified tangible personal property purchased for the headquarters during the investment period.

- The investment period for the sales and use tax credit begins one year prior to construction or expansion and ends one year after construction or expansion is substantially complete and cannot exceed 6 years.
- The taxpayer must file and receive approval of the Qualified Headquarters Business Plan with the Department of Revenue before taking the sales and use tax credits.

#### Headquarters Relocation Expense Credit

- Companies establishing a qualified headquarters facility may also qualify for credits against their F&E tax liability based on the amount of qualified relocation expenses incurred in the establishment of a headquarters facility. This is a fully refundable tax credit.
- "Qualified headquarters relocation expenses" are those expenses that both the Commissioner of Revenue and Commissioner of Economic



**The total budget for the Relocation Expense Credit**

is determined and calculated by the number of existing qualified headquarters positions relocated to Tennessee as follows:

**Headquarters Jobs Relocated**

**Amount Per Position**

100-249 jobs	\$10,000 per position
250-499 jobs	\$20,000 per position
500-749 jobs	\$30,000 per position
750 or more	\$40,000 per position
\$1 billion investment	\$100,000 per position

**Headquarters Tax Incentives Cont.,**

- and Community Development determine, in their sole discretion, are necessary to relocate headquarters staff employees to a qualified headquarters facility in conjunction with the initial establishment of such facility.
- The taxpayer must file and receive approval of the Qualified Headquarters Business Plan with the Department of Revenue before claiming the Headquarters Relocation Expense Credit.
- Relocation Expense Credits are limited to the qualified expenses actually incurred. The Company may start to take Relocation Expense Credits in the first year it incurs qualified relocation expenses up to the amount allowed as a Relocation Expense Credit for that year.

**Additional Tax Incentives for Qualified Headquarters**

- Companies with a regional, national or international qualified headquarters facility in Tennessee may, with approval from the Commissioner of Revenue and the Commissioner of Economic and Community Development, convert unused net operating losses (NOL) to a credit against F&E tax liability.
- The NOL credit is available only if the company is unable to use the NOL to offset net income during the current tax year.

**Sales and Use Tax Credit for Qualified Facility to Support an Emerging Industry**

- Tennessee law makes a sales and use tax credit available to taxpayers that establish a qualified facility to support an emerging industry in Tennessee with a minimum capital investment of \$100 million and the creation of at least 50 new full-time jobs paying 150% of Tennessee's average occupational wage. The credit is equal to 6.5% of the 7% state sales and use tax paid to Tennessee on the purchase or use of qualified tangible personal property.
- An emerging industry is one that promotes high-skill, high-wage jobs in high-technology areas, emerging occupations or clean energy technology, including, but not limited to clean energy technology research and development and installation, as determined by the Commissioner of Revenue and the Commissioner of Economic and Community Development.

**Data Center Tax Credit**

Companies may obtain tax credits for the purchase of materials related to the construction of a qualified data center, which is defined as a building or buildings housing high-technology computer systems and related equipment in which the taxpayer has made a minimum



# Data Center Tax Credit, Cont.

capital investment of \$250 million and has created 25 new jobs paying at least 150% of the state’s average occupational wage.

- Investments must be made during a 3 year period, but can be extended to 7 years at the discretion of the Commissioner of Economic and Community Development.
- The purchase of computers, computer systems, computer software and repair parts for a qualified data center are considered purchases of industrial machinery and qualify for a minimum 5% Industrial Machinery Tax Credit against F&E liability.
- Computers, computer systems, computer software and repair parts used in qualified data centers are classified as industrial machinery and exempt from sales and use taxes.
- Qualified data centers also pay reduced sales taxes on the purchase of electricity (1.5% vs. the previous rate of 7%).
- A taxpayer must submit an application for the Data Center Tax Credit to the Department of Revenue with a plan describing the investment to be made before claiming the credits.

## Tennessee Exports

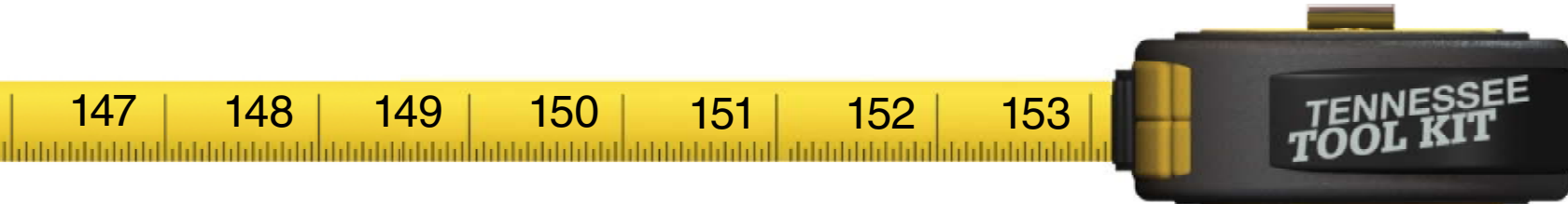
Tennessee is one of the fastest-growing export states in the nation, and one of the best ways communities can help their hometown companies create new jobs is by helping them access new global markets. But where do you begin? What markets hold the greatest potential? And how do you find a distributor or a trade show that can help you make the right decision?

The state of Tennessee partners with the U.S. Department of Commerce’s Foreign Commercial Service to help companies walk through this process.

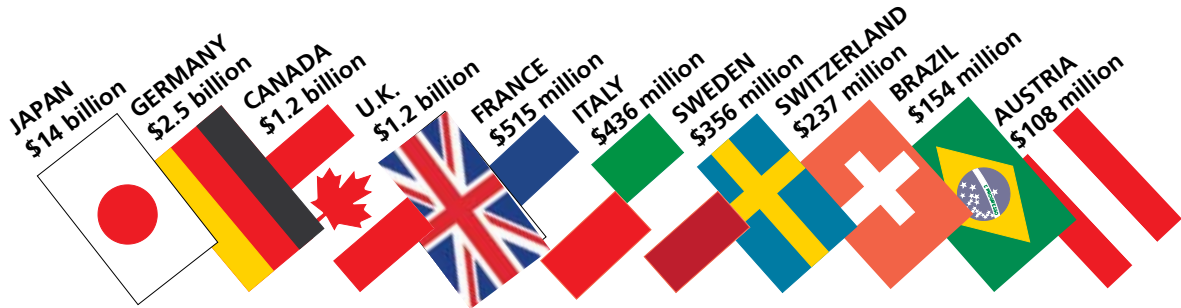
In 2009, Tennessee exported more than \$20.4 billion in merchandise to 200 countries in every corner of the globe. The state’s top export markets include Canada, Mexico and China, while the top export commodities include transportation equipment, chemical manufactures and computers and electronic products.

For more information, call the U.S. Export Assistance Center at (615) 736-2224.

Tennessee World Exports



# Foreign Direct Investment



Tennessee is home to 734 foreign-owned subsidiaries representing 36 countries and investments of over \$21.4 billion.

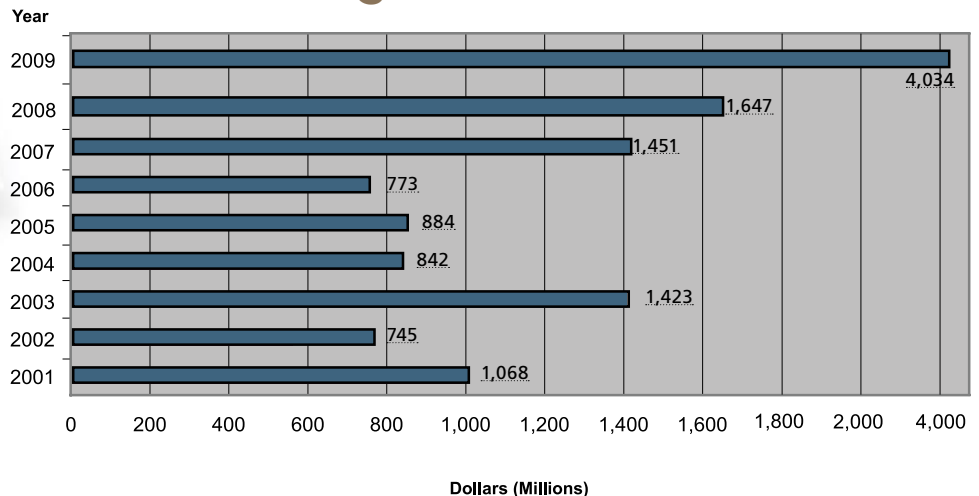
More than 98,000 Tennesseans are employed by foreign-owned subsidiaries, and more than half of these jobs are in the manufacturing sector.

Tennessee's top foreign investor is Japan, followed by Germany, Canada, and the United Kingdom.

Full-time ECD representatives are stationed in China, Japan, Canada and Germany to provide significant resources to Tennessee companies and to foreign investors seeking information about Tennessee. Call (615) 741-3282 or (877) 768-6374 for more information.



## Foreign Investment





# THE GREEN TOOL KIT

TENNESSEE DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT



**Tennessee has established many forward-thinking business incentives specifically for the renewable energy sector, such as:**



### **The Green Energy Tax Credit**

As part of a comprehensive energy strategy, Tennessee offers certified green energy supply chain manufacturers and campus affiliates, integrated customers and integrated suppliers of certified green energy supply chain manufacturers a Green Energy Tax Credit against the total F&E liability. A “certified green energy supply chain manufacturer” means any manufacturer that has made, during the investment period, a required capital investment in excess of \$250 million in a facility certified by the State to be a facility engaged in manufacturing a product that is necessary for the production of green energy. The Green Energy Tax Credit is equal to the amount by which the charge for electricity sold to the green energy supply chain manufacturer, campus affiliate, integrated customer or integrated supplier exceeds the charge that would have been made for such total delivered electricity if the maximum certified rate had been applied during the applicable year. To the extent that any amount allowed as a credit for any tax year exceeds the combined F&E liability, the amount of excess will be deemed as an overpayment of tax and will be refunded to the taxpayer. The Tennessee Valley Authority (TVA) has agreed to supply necessary information to the Commissioner of Revenue to determine the amount of the credit.



### **Carbon Charge Tax Credit**

A certified green energy supply chain manufacturer and any campus affiliates are eligible for a credit against their total F&E liability in an amount equal to any carbon charges incurred by or imposed directly on the certified green energy supply chain manufacturer or campus affiliate or imposed on the TVA or energy supplier and billed on a certified manufacturer’s or campus affiliate’s energy bill. Any tax credit that cannot be used to benefit a certified manufacturer or campus affiliate during the applicable tax year may be returned to the taxpayer in the form of a cash overpayment. TVA has agreed to supply necessary information to the Commissioner of Revenue to verify the amount of the credit.



### **Pollution Control Equipment Tax Credit**

If a manufacturer obtains a certificate from the Tennessee Department of Environment and Conservation certifying that the company’s purchase of pollution control equipment is necessary to comply with state, federal or local law and the equipment will result in the reduction of pollution in the water or air or the elimination of hazardous wastes, the equipment will be taxed at salvage value for the purposes of calculating local tangible personal property tax. The certificate will also exempt the equipment from all sales and use tax and allow the company to exclude it from the company’s franchise tax base.



### **Emerging Industry Tax Credit**

The Tennessee Clean Energy Future Act of 2009 made the clean energy technology sector eligible for a sales and use tax credit for emerging industry. This sales and use tax credit is available to taxpayers that establish a qualified facility to support an emerging industry in Tennessee with a minimum capital investment of \$100 million and the creation of at least 50 new full-time jobs paying 150% of Tennessee’s average occupational wage. The credit is equal to 6.5% of the 7% state sales and use tax paid to Tennessee on the purchase or use of qualified tangible personal property. See page 17 for more information.







## Green Island Biofuel Corridor Infrastructure Grant

Administered by the Tennessee Department of Transportation (TDOT), this program assists retail vehicle fuel stations and farm co-ops with up to 80% of the costs to convert or install storage and fuel dispensing equipment for E85 and B20 pumps, with a cap of \$45,000 per pump. TDOT advertises biofuels station locations on the Official State Map and provides the option of interstate signage at exits with participating biofuels stations. This program is working to establish a statewide network of E85 and B20 pumps along interstate and major highway corridors to make these fuels available to citizens, travelers and fleets.



## Tennessee Energy Loan Program

This revolving loan program assists eligible Tennessee for-profit businesses, non-profit organizations, private institutions of higher education and/or units of local and county governments in becoming more energy efficient through the identification, purchase and installation of approved energy efficiency and clean energy technology systems.



## Reduced Tax on Electricity

Tennessee offers a reduced sales tax rate on manufacturers' use of energy fuels and water (1.5% instead of 7%).



## Volunteer State Solar Initiative

Governor Phil Bredesen has established the Volunteer State Solar Initiative with \$62 million in federal Recovery Act funds to support job creation and advance education, research and renewable power production. This approach will stimulate economic growth in the short term, while positioning Tennessee to take a leadership position in an industry sector currently experiencing a 30-40% annual growth rate.

Two key generators of economic growth are included in the Initiative: the Tennessee Solar Institute at the University of Tennessee and Oak Ridge National Lab and the West Tennessee Solar Farm near Brownsville, Tenn.

### The Tennessee Solar Institute

The Institute is a center for excellence spurring accelerated growth in the solar industry and serving as a crossroads for a wide range of solar-related activities. To accomplish its objectives, the institute is bringing together scientists, engineers and technical experts with business leaders, policymakers and industry workers to help speed the improvement and deployment of solar photovoltaic (PV) technology and commercialization. The institute has also created a "Solar Opportunity Fund" to underwrite solar grants that include:

- Innovation Grants – To encourage the growth of Tennessee's solar industry by providing funds to the state's solar industry firms for technical assistance, facility or process improvements and workforce development.
- Installation Grants – To speed the deployment of solar energy statewide through grants to businesses for funding the purchase and installation of small-scale solar photovoltaic systems.

### The West Tennessee Solar Farm

The Solar Farm will be a five-megawatt 20-acre power generation facility in Haywood County that will be one of the largest installations in the Southeast and serve as an educational demonstration tool.



**For more information about the Volunteer State Solar Initiative or any of ECD's energy-related programs, call (615) 741-2994 or (800) 342-1340.**



## TENNESSEE

ECONOMIC & COMMUNITY DEVELOPMENT  
312 ROSA L. PARKS AVENUE  
11TH FLOOR  
NASHVILLE, TENN., 37243

[WWW.INVESTTENNESSEE.ORG](http://WWW.INVESTTENNESSEE.ORG)

 Tennessee Department of Economic and Community Development, Authorization # 330987- 2000 copies, August 2010. This public document was promulgated at a cost of \$2.52 per copy.

